TITANSTAR PROPERTIES INC.

CONSOLIDATED FINANCIAL STATEMENTS

April 30, 2012 and 2011

SCARROW & DONALD LLP
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August 16, 2012

INDEPENDENT AUDITORS' REPORT

To the Shareholders of TitanStar Properties Inc.:

We have audited the accompanying consolidated financial statements of TitanStar Properties Inc., which comprise the consolidated statements of financial position as at April 30, 2012 and 2011, and May 1, 2010 and the consolidated statements of net income (loss) and comprehensive income (loss), changes in shareholders' equity and cash flows for the years ended April 30, 2012 and 2011, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements
Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility
Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of TitanStar Properties Inc. as at April 30, 2012 and 2011, and May 1, 2010 and its financial performance and its cash flows for the periods years ended April 30, 2012 and 2011 in accordance with International Financial Reporting Standards.

Scarrow & Donald LLP

Chartered Accountants

TITANSTAR PROPERTIES INC.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(expressed in Canadian Dollars)

	April 30, 2012	April 30, 2011	May 1, 2010
ASSETS			
Current			
Cash	$ 470,166	$ 564,299	$ 588,754
Amounts receivable	31,097	32,461	9,550
Prepaid expenses	12,950	9,367	3,333
	514,213	606,127	601,637
Advances to joint ventures (note 5)	2,189,439	1,590,194	-
Interests in joint ventures (note 5)	6,115,317	5,673,164	5,976,939
	$8,818,969	**$ 7,869,485**	**$ 6,578,576**
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current			
Accounts payable and accrued liabilities	$ 42,663	$ 28,115	$ 71,899
Shareholders' equity			
Share capital (note 7)	8,052,591	7,914,727	6,527,144
Contributed surplus	1,113,744	1,048,644	20,251
Accumulated other comprehensive income (loss)	(146,401)	(458,772)	73,646
Deficit	(243,628)	(663,229)	(114,364)
	8,776,306	7,841,370	6,506,677
	$ 8,818,969	**$ 7,869,485**	**$ 6,578,576**

Approved by the Board:

"T. Richard Turner"
Board Chair

"D. Neil McDonnell"
Chair, Audit Committee

TITANSTAR PROPERTIES INC.
CONSOLIDATED STATEMENTS OF NET INCOME (LOSS)
AND COMPREHENSIVE INCOME (LOSS)
(expressed in Canadian Dollars)

	Year ended April 30	
	2012	2011
EXPENSES		
General and administrative (note 11)	$ 160,078	$ 311,344
Share-based compensation (note 8)	3,063	65,275
OPERATING LOSS	(163,141)	(376,619)
OTHER ITEMS		
Share of income (loss) of joint ventures (note 5)	568,953	(176,072)
Foreign exchange gain	13,789	3,826
	582,742	(172,246)
NET INCOME (LOSS)	**$ 419,601**	**($ 548,865)**
Basic and diluted income (loss) per common share (note 6)	**$ 0.01**	**($ 0.02)**
NET INCOME (LOSS)	$ 419,601	($ 548,865)
OTHER COMPREHENSIVE INCOME (LOSS)		
Currency translation adjustments of joint ventures	312,371	(532,418)
COMPREHENSIVE INCOME (LOSS)	$ 731,972	($1,081,283)

TITANSTAR PROPERTIES INC.

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
(expressed in Canadian Dollars)

	Number of Shares	Share Capital	Contributed Surplus	Accumulated Other Comprehensive Income (Loss)	Deficit	Total
Balance, April 30, 2011	30,017,056	$ 7,914,727	$ 1,048,644	($ 458,772)	($ 663,229)	$ 7,841,370
Issuance of shares for cash	623,750	230,788	-	-	-	230,788
Share issuance costs	-	(35,482)	4,595	-	-	(30,887)
Proceeds allocated to warrants	-	(57,442)	57,442	-	-	-
Share-based compensation	-	-	3,063	-	-	3,063
Net income for the period	-	-	-	-	419,601	419,601
Other comprehensive income	-	-	-	312,371	-	312,371
Balance, April 30, 2012	30,640,806	$ 8,052,591	$ 1,113,744	($ 146,401)	($ 243,628)	$ 8,776,306
Balance, May 1, 2010	22,952,983	$ 6,527,144	$ 20,251	$ 73,646	($ 114,364)	$ 6,506,677
Issuance of shares for cash	7,046,573	2,610,732	-	-	-	2,610,732
Warrants exercised	17,500	1,430	(1,430)	-	-	-
Share issuance costs	-	(331,479)	71,448	-	-	(260,031)
Proceeds allocated to warrants	-	(893,100)	893,100	-	-	-
Share-based compensation	-	-	65,275	-	-	65,275
Net loss for the period	-	-	-	-	(548,865)	(548,865)
Other comprehensive loss	-	-	-	(532,418)	-	(532,418)
Balance, April 30, 2011	30,017,056	$ 7,914,727	$ 1,048,644	($ 458,772)	($ 663,229)	$ 7,841,370

TITANSTAR PROPERTIES INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(expressed in Canadian Dollars)

	Year ended April 30 2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income (loss)	$ 419,601	($ 548,865)
Adjustments to reconcile net income (loss) to net cash provided by operating activities		
Foreign exchange gain	(13,789)	(3,826)
Share-based compensation	3,063	65,275
Share of loss (income) of joint ventures	(568,953)	176,072
Changes in operating assets and liabilities (note 13)	12,329	(72,729)
	(147,749)	(384,073)
CASH FLOWS FROM INVESTING ACTIVITIES		
Investments in and contributions to joint ventures	(70,966)	(289,617)
Distributions from joint ventures	453,876	-
Advances to joint ventures	(541,611)	(1,705,292)
	(158,701)	(1,994,909)
CASH FLOWS FROM FINANCING ACTIVITIES		
Issuance of common shares	230,788	2,610,732
Share issue costs	(30,887)	(260,031)
Proceeds from loans payable	-	2,121,124
Repayment of loans payable	-	(2,108,970)
Transaction costs	-	(78,048)
	199,901	2,284,807
Effect of exchange rate changes on cash	12,416	69,720
Change in cash for the period	(94,133)	(24,455)
Cash, beginning of period	564,299	588,754
Cash, end of period	$ 470,166	$ 564,299

1. Organization

TitanStar Properties Inc. (the "Company") was incorporated under the *Canada Business Corporations Act* on June 3, 2008 and is a real estate holding company trading on the TSX Venture Exchange ("TSXV: TSP"). The Company issued share capital and commenced operations on June 30, 2008. On September 27, 2010, the Company's shareholders passed a special resolution approving a change in the Company's name from DPVC Inc. to TitanStar Properties Inc. The registered office of the Company is 950-789 West Pender, Vancouver, BC, V6C 1H2.

The sole business of the Company is the ownership of real property interests, consistent with a well-established investment policy. The Company seeks to create a portfolio of real estate assets in the United States with value to be maximized through the acquisition of well-positioned, undervalued or underperforming assets.

These consolidated financial statements have been approved for issue by the Board of Directors on August 16, 2012.

2. Summary of significant accounting policies

a) Statement of compliance

The accompanying consolidated financial statements are prepared in accordance with International Financial Accounting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"), or IFRS 1 – First-time Adoption of International Financial Reporting Standards ("IFRS 1"). Subject to certain transition elections disclosed in Note 4 to the consolidated financial statements, the Company has consistently applied the same accounting policies in its opening IFRS statement of financial position at May 1, 2010 and throughout all periods presented, as if these policies had always been in effect. Note 4 discloses the impact of the transition to IFRS on the Company's equity for the year ended April 30, 2012, and statement of net income or loss and comprehensive income or loss for year ended April 30, 2012. See Note 4 to the consolidated financial statements for the impact of the transition to IFRS on the Company's reported financial position, statements of net income or loss and comprehensive income or loss, and cash flows, including the nature and effects of significant changes in accounting policies from those used in the Company's consolidated financial statements as at May 1, 2010 and for the year ended April 30, 2011.

b) Basis of presentation

The consolidated financial statements are prepared on a going concern basis and have been presented in Canadian dollars. The consolidated financial statements have been prepared on a historical cost basis.

2. **Summary of significant accounting policies**

c) Cash

Cash consists of funds on deposit.

d) Basis of consolidation

These consolidated financial statements include the financial assets and liabilities and results of operations of the Company and of its subsidiary. The assets and liabilities and results of operations include the consolidation of its wholly owned subsidiary corporation Titanstar DSC Holdings Inc.

Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Company obtains control, and continues to be consolidated until the date that such control ceases. The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. All material intercompany balances and transactions are eliminated upon consolidation.

e) Joint Arrangements

A joint venture is a contractual arrangement pursuant to which the Company and other parties undertake an economic activity that is subject to joint control whereby the strategic financial and operating policy decisions relating to the activities of the joint venture require the unanimous consent of the parties sharing control. Joint venture arrangements that involve the establishment of a separate entity in which each venture has an interest are referred to as jointly controlled entities.

The Company reports its interest in jointly controlled entities using the equity method. Under the equity method equity accounted investments are recorded at initial cost plus the Company's share of post acquisition income or loss less distributions received. The Company's share of net income is reported in income from equity investments in the consolidated statements of net income (loss) and comprehensive income (loss).

The accounting policies of the equity investments are consistent with the accounting policies of the Company. Where the Company transacts with its equity accounted investments, unrealized profits and losses are eliminated to the extent of the Company's interest in the investment. Balances outstanding between the Company and equity accounted investments in which it has an interest are not eliminated in the consolidated balance sheets.

2. Summary of significant accounting policies (continued)

At each reporting period the Company evaluates if there is objective evidence that its interest in an equity accounted investment is impaired. The entire carrying amount of the equity accounted investment is compared to the recoverable amount, which is the higher of value in use or fair value less costs to sell. The recoverable amount of each investment is considered separately.

f) Provisions

Provisions are recognized in other liabilities when the Company has a present legal or constructive obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation, and the amount can be reliably estimated. Provisions are measured at management's best estimate of the expenditure required to settle the obligation at the end of the reporting period, and are discounted to present value where the effect is material, such as closure costs.

g) Share options and warrants

The company has a share option plan available for officers, employees, and consultants. The fair value based method of accounting is applied to all share-based compensation. Compensation expense for option based compensation is recognized when unit options are granted over the vesting periods. Awards of share options and warrants related to private placements or public offerings of shares are treated as share issue costs.

The fair value of share options and warrants granted are estimated on the date of grant using the Black-Scholes option pricing model and is recorded as an expense over the applicable vesting period based on the number of awards expected to vest. Each tranche of an award is considered a separate award with its own vesting period and grant date fair value. On the exercise of share options, the consideration received and the grant date fair value of the option is credited to share capital.

h) Shares

Shares are initially recognized at the fair value of the consideration received by the Company. Transaction costs related to the issuance of the units are recognized directly in shareholders' equity as a reduction of the proceeds received.

2. Summary of significant accounting policies (continued)

i) Income or loss per share

Basic income or loss per share is calculated by dividing the income or loss by the weighted average number of common shares outstanding during the period. The Company computes the dilutive effect of options, warrants and similar instruments. Under this method the dilutive effect on earnings per share is recognized on the use of the proceeds that could be obtained upon exercise of options, warrants and similar instruments. It assumes that the proceeds would be used to purchase common shares at the average market price during the period.

j) Revenue recognition

Interest revenue is recognized when reasonable assurance exists regarding measurement and collectability on a time proportion basis.

k) Foreign currency translation

The functional currency of the Company's equity accounted investments is the United States dollar as it is the currency of the primary economic environment in which the investees operate. Consideration in determining the functional currency is given to the denomination of the major cash flows of the entity. Assets and liabilities of the investees are translated to Canadian dollars, the presentation currency and functional currency of the Company, at the period end rate of exchange and the results of their operations are translated at average rates of exchange for the period. The resulting translation adjustments are included in accumulated other comprehensive income in equity. Translation adjustments from monetary receivables and payables with the Company's equity accounted investments for which settlement is neither planned nor likely to occur in the foreseeable future are included in accumulated other comprehensive income in equity.

For assets, liabilities, revenue and expenses that do not form part of the Company's equity accounted investments any related foreign currency gains or losses are included in net income (loss).

l) Income taxes

Current tax for each taxable entity is based on the local taxable income at the local statutory tax rate enacted or substantively enacted at the statement of financial position date and includes adjustments to tax payable or recoverable in respect of previous periods.

Deferred tax is recognized using the statement of financial position method in respect of all temporary differences between the tax bases of assets and liabilities, and their carrying amounts for financial reporting purposes, except as indicated below.

2. Summary of significant accounting policies (continued)

Deferred income tax assets are recognized for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry-forward of unused tax assets and unused tax losses can be utilized, except where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in an acquisition that is not a business combination and, at the time of the acquisition, affects neither the accounting profit nor taxable profit or loss and in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

Deferred income tax liabilities are recognized for all taxable temporary differences, except where the deferred income tax liability arises from the initial recognition of goodwill, or the initial recognition of an asset or liability in an acquisition that is not a business combination and, at the time of the acquisition, affects neither the accounting profit nor taxable profit or loss and in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

The carrying amount of deferred income tax assets is reviewed at each statement of financial position date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized. To the extent that an asset not previously recognized fulfills the criteria for recognition, a deferred income tax asset is recorded.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which the asset is realized or the liability is settled, based on tax rates and tax laws enacted or substantively enacted at the statement of financial position date.

Current and deferred taxes relating to items recognized directly in equity are recognized in equity and not in the statement of loss.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same tax authority on either the same taxable entities or in different taxable entities, and, where there is the intent to settle the balance on a net basis.

2. Summary of significant accounting policies (continued)

m) Financial instruments

Financial assets and financial liabilities classified at fair value through profit or loss are subsequently measured at fair value with gains and losses recognized in net income. Loans and receivables and financial liabilities measured at amortized cost are subsequently measured at their amortized cost, using the effective interest method.

Derivative instruments are recorded at fair value including those derivatives that are embedded in a financial instrument or other contract but are not closely related to the host financial instrument or contract, respectively. Changes in the fair values of derivative instruments are recognized in net income, except for derivatives that are designated as cash flow hedges. The Company presently does not have any derivative financial instruments.

The following is a summary of the classification adopted by the Company for each significant category of financial instrument.

Financial Assets/Liabilities	**Classification**	**Measurement**
Cash	Loans and receivables	Amortized cost
Amounts receivable	Loans and receivables	Amortized cost
Advances to joint ventures	Loans and receivables	Amortized cost
Accounts payable and accrued liabilities	Financial liabilities measured at amortized cost	Amortized cost

Transaction costs are expensed as incurred for financial instruments classified or designated at fair value through profit or loss. For other financial instruments, transaction costs are added to the related financial asset or liability on initial recognition and are measured at amortized cost using the effective interest method. Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability.

The Company assesses impairment of all its financial assets, except those classified at fair value through profit or loss. Management considers whether there has been a breach in contract, such as a default or delinquency in interest or principal payments in determining whether objective evidence of impairment exists. Impairment is measured as the difference between the asset's carrying value and its fair value. Impairment is included in current earnings.

2. Summary of significant accounting policies (continued)

n) Fair values

The fair value of a financial instrument is the amount of consideration that could be agreed upon in an arm's length transaction between knowledgeable, willing parties who are under no obligation to act. In certain circumstances, however, the initial fair value may be based on other observable current market transactions in the same instrument, without modification or on a valuation technique using market based inputs.

Fair value measurements recognized in the balance sheet are categorized using a fair value hierarchy that reflects the significance of inputs used in determining the fair values:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1)
- Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices) (Level 2); and
- Inputs for the asset or liability that are not based on observable market data (unobserved inputs) (Level 3).

Each type of fair value is categorized based on the lowest level input that is significant to the fair value measurement in its entirety.

o) Future changes to significant accounting policies

The following new or amended standards have been issued by the IASB:

IFRS 9 – Financial Instruments replaces IAS 39 – Financial Instruments: Recognition and Measurement and IFRIC 9 – Reassessment of Embedded Derivatives, retains but simplifies the mixed measurement model and establishes two primary measurement categories for financial assets: amortized cost and fair value, effective for annual periods beginning on or after January 1, 2015 with earlier application permitted.

IFRS 10 – Consolidated Financial Statements – replaces IAS 27 – Consolidated and Separate Financial Statements and, SIC-12 – Consolidation – Special Purpose Entities and requires an entity to consolidate an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee, effective for annual periods beginning on or after January 1, 2013 with earlier application permitted.

2. Summary of significant accounting policies (continued)

IFRS 11 – Joint Arrangements – supersedes IAS 31 – Interest in Joint Ventures and SIC-13 – Jointly Controlled Entities – Non-monetary Contributions by Venturers, established principles for the financial reporting by parties to a joint arrangement, effective for annual periods beginning on or after January 1, 2013 with earlier application permitted.

IFRS 12 – Disclosure of Interest in Other Entities, combines, enhances and replaces the disclosure requirements for subsidiaries, joint arrangement, associates and unconsolidated structured entities, effective for annual periods beginning on or after January 1, 2013 with earlier application permitted.

In conjunction with IFRS 10, IFRS 11 and IFRS 12, the IASB also issued amended and retitled IAS 27 – Separate Financial Statements, IAS 28 – Investments in Associates and Joint Ventures, and IAS 31 – Interests in Joint Ventures, effective for annual periods beginning on or after January 1, 2013 with earlier application permitted.

IFRS 13 – Fair Value Measurement, defines fair value, sets out in a single IFRS a framework for measuring fair value and requires disclosure about fair value measurements, effective for annual periods beginning on or after January 1, 2013 with earlier application permitted.

IAS 1 – Presentation of Financial Statements, is amended to change the disclosure of items presented in other comprehensive income, including a requirement to separate items presented in other comprehensive income into two groups based on whether or not such items may be brought into net income or loss in the future, effective for annual periods beginning on or after July 1, 2013 with earlier application permitted.

The Company is currently evaluating the impact of these standards on its financial statements.

3. Critical accounting adjustments, estimates and assumptions

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts in the financial statements. Management bases its judgments, estimates and assumptions on factors it believes to be reasonable in the circumstances, but which may be inherently uncertain and unpredictable. The uncertainty of these judgments, assumptions and estimates could result in actual results that differ from the estimates and outcomes that require a material adjustment to the carrying amount of assets and liabilities in the future.

3. Critical accounting adjustments, estimates and assumptions (continued)

The following are critical accounting judgments that have been made in applying the Company's accounting policies:

a) Classification of joint arrangements

The Company makes judgments as to whether the Company's investments provide it with joint control, significant influence or no influence. The Company has determined that it has joint control in all of its investments and therefore has accounted for its investment using the equity method.

b) Fair value and impairment of financial instruments

For certain financial instruments, including cash, amounts receivable and accounts payable and accrued liabilities, the carrying amounts approximate fair value due to their immediate or short term maturity. The fair value of advances to joint ventures requires estimates and assumptions to be made with respect to future cash flow, interest rates and other market factors.

The Company assesses the possibility and amount of any impairment loss or write-down as it relates to amounts receivable and advances to joint ventures.

Management bases their judgments, estimates and assumptions on factors they believe to be reasonable in the circumstances, but which may be inherently uncertain and unpredictable.

4. Transition to IFRS

The Company has adopted IFRS effective May 1, 2010 (the "transition date") and has prepared its opening IFRS balance sheet as at that date. Prior to the adoption of IFRS, the Company prepared its consolidated financial statements in accordance with Canadian generally accepted accounting principles in effect at that time ("Historical GAAP").

The Company has elected the following optional and mandatory exemptions from full retroactive application:

Share-based payments
The Company has applied the share-based payments exemption in IFRS 1 to not apply IFRS 2 – Share-based Payments to liabilities arising from share-based payment transactions that were settled prior to May 1, 2010. Accordingly, the Company has not restated for the settlement of liabilities arising from share-based payments that took place prior to May 1, 2010.

(expressed in Canadian dollars)

4. Transition to IFRS (continued)

Estimates

The estimates previously made by the Company under Canadian GAAP were not revised for application of IFRS except where necessary to reflect any difference in accounting policies. Estimates under IFRS at May 1, 2010 are consistent with estimates made for that same date under Canadian GAAP.

Statement of financial position impact

The following is a reconciliation of the Company's balance sheet in accordance with Historical GAAP to its balance sheet in accordance with IFRS:

	As at May 1, 2010		
	Historical GAAP	Adjustments	IFRS
Assets			
Cash	$ 620,759	($ 32,005)	$ 588,754
Amounts receivable	9,550	-	9,550
Prepaid expenses	23,890	(20,557)	3,333
	654,119	(52,562)	601,637
Income properties	5,909,089	(5,909,089)	-
Interests in joint ventures	-	5,976,939	5,976,939
	$ 6,563,288	$ 15,288	$ 6,578,576
Liabilities and Shareholders' Equity			
Accounts payable and accrued liabilities	$ 116,223	($ 44,324)	$ 71,899
Deferred revenue	9,463	(9,463)	-
Loan payable	4,571	(4,571)	-
	130,257	(58,358)	71,899
Share capital	6,527,144	-	6,527,144
Contributed surplus	20,251	-	20,251
Accumulated other comprehensive income	-	73,646	73,646
Deficit	(114,364)	-	(114,364)
	$ 6,563,288	$ 15,288	$ 6,578,576

(expressed in Canadian dollars)

4. Transition to IFRS (continued)

	As at April 30, 2011		
	Historical GAAP	Adjustments	IFRS
Assets			
Cash	$ 622,095	($ 57,796)	$ 564,299
Amounts receivable	53,040	(20,579)	32,461
Prepaid expenses	34,975	(25,608)	9,367
	710,110	(103,983)	606,127
Advances to joint ventures	795,097	795,097	1,590,194
Income properties	8,469,323	(8,469,323)	-
Intangible assets	200,540	(200,540)	-
Interests in joint ventures	-	5,673,164	5,673,164
	$ 10,175,070	($ 2,305,585)	$ 7,869,485
Liabilities and Shareholders' Equity			
Accounts payable and accrued liabilities	$ 37,783	($ 9,668)	$ 28,115
Deferred revenue	30,714	(30,714)	-
Loan payable	151,004	(151,004)	-
Mortgage loan payable	1,625,809	(1,625,809)	-
	1,845,310	(1,817,195)	28,115
Share capital	7,914,727	-	7,914,727
Contributed surplus	1,048,644	-	1,048,644
Accumulated other comprehensive income	-	(458,772)	(458,772)
Deficit	(633,611)	(29,618)	(663,229)
	$ 10,175,070	($ 2,305.585)	$ 7,869,485

Adjustments related to interests in joint ventures

Under Historical GAAP, the Company accounted for its investment in joint ventures through proportionate consolidation. Under IFRS, the Company has elected to restate its investment interests in joint ventures under the equity method, as permitted by IAS 31 – Interest in Joint Ventures. The Company previously showed a proportionate share of all the assets and liabilities of its jointly controlled investees, notably including income properties, intangible assets and loans payable. The Company now presents its net investment in joint ventures at initial cost plus the Company's share of post acquisition income or loss less distributions received, as described in Note 2 – Significant accounting policies. This adjustment had no impact on shareholders' equity.

4. Transition to IFRS (continued)

Adjustments related to foreign currency translation:
Under Canadian GAAP, the Company translated the financial statements of its investments in joint ventures using the temporal method. Under the temporal method, non-monetary assets and liabilities that were denominated in currencies other than Canadian dollars were translated at the rates prevailing at the respective transaction dates, and gains or losses on foreign exchange were included in the consolidated statement of loss and comprehensive loss.

Under IFRS, the Company translates assets and liabilities of its investments in joint ventures at the rate of exchange at the statement of financial position date and the results of their operations are translated at average rates of exchange for the period. The cumulative gains or losses on foreign exchange are included in accumulated other comprehensive income (loss) in the statement of equity.

As a result of implementing the IFRS standards prepaid expenses, income properties, deferred revenue and transaction costs included with mortgage loan payable have been translated at the rate of exchange at the statement of financial position date. The cumulative gains and losses have been reclassified to the statement of accumulated other comprehensive income (loss), as a separate component in the statement of equity. The adjustment resulted in an increase to accumulated other comprehensive income of $73,646 as at May 1, 2010 and a decrease to accumulated other comprehensive income of $458,772 and an increase to deficit of $29,618 as at April 30, 2011.

(expressed in Canadian dollars)

4. Transition to IFRS (continued)

Reconciliation of net income (loss) and comprehensive income (loss)
The following is a reconciliation of the Company's net loss and comprehensive loss reported in accordance with Historical GAAP to its net loss and comprehensive loss in accordance with IFRS for the year ended April 30, 2011:

	Year ended April 30, 2011
Net loss as reported under Historical GAAP	($ 519,247)
Adjustments related to interests in joint ventures	
- Revenue	(153,736)
- General and administrative expenses	135,690
- Amortization of income properties	33,242
- Amortization of intangible assets	6,508
- Interest expense	121,645
- Loan cost amortization	32,723
Share of loss of joint ventures	(176,072)
Adjustments related to foreign currency translation	
- Foreign exchange losses	(29,618)
Net loss as reported under IFRS	($ 548,865)
Other comprehensive loss under Historical GAAP	-
Adjustments related to foreign currency translation	
- Currency translation adjustments of joint ventures	(532,418)
Comprehensive loss as reported under IFRS	($1,081,283)

The Company's loss per common share is unchanged from a loss of $0.02 per common share for the year ended April 30, 2011.

Adjustments related to interest in joint ventures
Under Historical GAAP, the Company proportionately consolidated its share of the jointly controlled entities' income. Under IFRS, income (loss) from interests in joint ventures is adjusted to eliminate the amortization of income properties, tenant relationships, lease origination costs, and in-place leases. The Company's share of the jointly controlled entities' revenues and administrative expenses is also eliminated. The revenue and expenses from joint ventures is restated as a net figure in share of loss of joint ventures. These adjustments had no impact on previously reported net loss and comprehensive loss.

4. Transition to IFRS (continued)

Adjustments related to foreign currency translation:
Under Canadian GAAP, the Company translated the financial statements of its investments in joint ventures using the temporal method. Under IFRS, the Company translates assets and liabilities of its investments in joint ventures at the rate of exchange at the statement of financial position date and the results of their operations are translated at average rates of exchange for the period. Gains or losses on foreign exchange are included in the consolidated statements of other comprehensive income (loss).

As a result of implementing the IFRS standards gains or losses on foreign exchange that were previously included in net income (loss) are now included in other comprehensive income (loss). The adjustment resulted in a decrease in foreign exchange losses included in net income (loss) of $29,618, a decrease in currency translation adjustments of joint ventures in other comprehensive income of $532,418 and an increase in comprehensive loss of $562,036 for the year ended April 30, 2011.

(expressed in Canadian dollars)

4. Transition to IFRS (continued)

Statement of cash flow impact

The following is a reconciliation of the Company's change in cash for the period reported in accordance with Historical GAAP to its change in cash for the period in accordance with IFRS for the year ended April 30, 2011:

	Year ended April 30, 2011		
	Historical GAAP	Adjustments	IFRS
Operating activities			
Net loss	($ 519,247)	($ 29,618)	($ 548,865)
Share-based compensation	65,275	-	65,275
Foreign exchange (gain) loss	149,281	(153,107)	(3,826)
Share of loss of joint ventures	-	176,072	176,072
Changes in operating assets and liabilities	(111,764)	39,035	(72,729)
	(416,455)	32,382	(384,073)
Investing activities			
Additions to income properties	(31,717)	31,717	-
Advances to joint ventures	(852,646)	(852,646)	(1,705,292)
Investments in and contributions to joint ventures	(2,837,271)	2,547,654	(289,617)
	(3,721,634)	1,726,725	(1,994,909)
Financing activities			
Issuance of common shares	2,610,732	-	2,610,732
Share issue costs	(260,031)	-	(260,031)
Proceeds from mortgage financing	1,776,075	(1,776,075)	-
Change in loans payable	146,433	(146,433)	-
Proceeds from loans payable	2,121,124	-	2,121,124
Repayment of loans payable	(2,108,970)	-	(2,108,970)
Transaction costs	(141,161)	63,113	(78,048)
	4,144,202	(1,859,395)	2,284,807
Effect of exchange rate on cash	(4,777)	74,497	69,720
Change in cash for the period	1,336	(25,791)	(24,455)
Cash, beginning of period	620,759	(32,005)	588,754
Cash, end of period	$ 622,095	($ 57,796)	$ 564,299

Adjustments related to interest in joint ventures

Under Historical GAAP, the Company proportionately consolidated all cash flows relating to operating, financing and investing activities in the joint ventures, including those relating to rental income, operating expenses, income properties, intangible assets, mortgages and other loans payable. Under IFRS, the only cash flows relating to the joint ventures reported in the cash flow statements are for transactions directly with the Company, being advances and additional investment in this case.

(expressed in Canadian dollars)

5. Interests in joint ventures

The following summarizes financial information about the Company's interests in joint ventures:

	Year ended April 30, 2012	Year ended April 30, 2011
Interests in joint ventures, beginning of period	$ 5,673,164	$ 5,976,939
Contributions and investments	70,966	289,617
Distributions	(453,876)	-
Share of net income (loss)	568,953	(176,072)
Currency translation adjustments	256,110	(417,320)
Interests in joint ventures, end of period	$ 6,115,317	$ 5,673,164

Net proceeds from the Sahara Crossing will first be allocated 90% to repay the Company's advance to the joint venture and 10% to repay advances from the other venturer. Subsequent proceeds will be distributed to the Company and other venturer equally.

Summarized financial information of the Company's share of its interests in joint ventures is as follows:

	Year ended April 30, 2012	Year ended April 30, 2011
Revenue	$ 291,685	$ 153,736
Expenses	(488,163)	(329,808)
Gain on sale of income property	765,431	-
Net income (loss)	568,953	(176,072)
Currency translation adjustments	256,110	(417,320)
Total comprehensive income (loss)	$ 825,063	($ 593,392)

(expressed in Canadian dollars)

5. Interests in joint ventures (continued)

	As at April 30, 2012	As at April 30, 2011	As at May 1, 2010
Cash	$ 534,082	$ 57,796	$ 32,005
Amounts receivable	146,160	20,579	-
Prepaid expenses	44,705	24,374	20,813
Income properties	8,243,115	8,183,961	5,982,597
	$ 8,968,062	$ 8,286,710	$ 6, 035,415
Accounts payable and accrued liabilities	$ 22,298	$ 9,668	$ 48,895
Deferred revenue	30,692	29,916	9,581
Loan payable	1,094,720	946,101	-
Mortgage loan	1,705,035	1,627,861	-
Equity	6,115,317	5,673,164	5,976,939
	$ 8,968,062	$ 8,286,710	$ 6,035,415

During the year ended April 30, 2012, the Company did not acquire an interest in any additional joint ventures.

At April 30, 2012, the Company held the following joint venture interests accounted for on the equity basis:

Property Name	%	City	State	Date Acquired
Deer Springs Crossing	50%	Las Vegas	NV	04/16/10
Sahara Crossing	50%	Las Vegas	NV	10/18/10

Deer Springs Crossing represents a 50% interest in DSC LP through the Company's 100% wholly owned subsidiary Titanstar DSC Holdings Inc. and a 50% interest in LVLH LP (49.5% limited partnership interest in LVLH LP and 0.5% interest in LVLH LP through a 50% interest in the general partner of LVLH LP, LV Loan Holdings GP). Sahara Crossing represents a 50% interest in SC LP through the Company's 100% wholly owned subsidiary Titanstar DSC Holdings Inc.

6. Income or loss per share

The weighted average basic and diluted common shares outstanding for the year ended April 30, 2012 are 30,540,256 (2011 – 24,777,306). As the company's share price is below exercise price, share options outstanding are anti-dilutive.

The following securities were not included in the diluted net income per unit calculation for the year ended April 30, 2012 as the effect would have been anti-dilutive:

(expressed in Canadian dollars)

6. Income or loss per share (continued)

	Weighted average Exercise Price	Number of Common Shares
Share options	$ 0.35	700,000
Warrants	$ 0.45	8,283,949
		8,983,949

7. Share capital

At April 30, 2012 the authorized share capital comprised an unlimited number of common shares.

On June 29, 2011, the Company issued 623,750 common shares and 623,750 non-transferable share purchase warrants for gross proceeds of $230,788. The warrants were valued at $57,442 and are exercisable for a period of 24 months from June 29, 2011. The exercise price of the warrants is $0.40 per share for the first year of issuance, and $0.45 per share from the first anniversary of issuance to expiry. Issue costs of $35,482 were incurred in connection with the offering, which included the value of 49,900 non-transferable share purchase warrants issued to the agent. The agent warrants were valued at $4,595 and are exercisable for a period of 24 months from June 29, 2011. The exercise price of the agent's warrants is $0.40 per share for the first year of issuance, and $0.45 per share from the first anniversary of issuance to expiry.

On January 27, 2011, the Company issued 7,046,573 common shares and 7,046,573 non-transferable share purchase warrants for gross proceeds of $2,607,232. The warrants were valued at $893,100 and are exercisable for a period of 24 months from January 27, 2011. The exercise price of the warrants is $0.40 per share for the first year of issuance, and $0.45 per share from the first anniversary of issuance to expiry. Issue costs of $331,479 were incurred in connection with the offering, which included the value of 563,726 non-transferable share purchase warrants issued to the agent. The agent warrants were valued at $71,448 and are exercisable for a period of 24 months from January 27, 2011. The exercise price of the agent's warrants is $0.40 per share for the first year of issuance, and $0.45 per share from the first anniversary of issuance to expiry.

(expressed in Canadian dollars)

8. Share options

The Company's share option plan was approved by the shareholders at the annual general meeting on December 2, 2009. The share option plan provides that the aggregate number of common shares reserved for issuance under the share option plan, together with any share options outstanding, will not exceed 10% of the Company's issued and outstanding common shares at any time. The exercise price of an option will be determined by the board of directors but will, in any event, not be less than the discounted market price of the Company's common shares at the time of the grant of the option.

Share option transactions and the number of share options outstanding are summarized as follows:

	Year ended April 30, 2012		Year ended April 30, 2011	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Outstanding, beginning of period	845,000	$0.35	200,000	$0.28
Share options granted	-	-	870,000	$0.35
Share options expired	-	-	(82,500)	$0.20
Share options exercised	-	-	(17,500)	$0.20
Share options forfeited	(145,000)	$0.35	(125,000)	$0.20
Outstanding, end of period	700,000	$0.35	845,000	$0.35
Share options exercisable	700,000		845,000	
Weighted average remaining life (years)	3.07		3.42	

All share options outstanding as of April 30, 2012 are exercisable at $0.35 (2011 - $0.35).

For the year ended April 30, 2012, the Company recognized $3,063 in share-based compensation for share options granted (2011 - $65,275). The fair value of each share option grant is estimated on the date of the grant using the Black-Scholes option pricing model. The following assumptions were used for options granted during the year ended April 30, 2011:

Dividend yield	0%
Risk-free interest rate	2.44% - 2.61%
Expected average option term	5 years
Volatility (two year)	23% - 96%

(expressed in Canadian dollars)

9. Warrants

Warrant transactions and the number of warrants outstanding are summarized as follows:

	Year ended April 30, 2012		Year ended April 30, 2011	
	Number of Warrants	Weighted Average Exercise Price	Number of Warrants	Weighted Average Exercise Price
Outstanding, beginning of period	7,610,299	$0.43	-	-
Warrants issued	673,650	$0.43	7,610,299	$0.43
Outstanding, end of period	8,283,949	$0.45	7,610,299	$0.43
Weighted average remaining life (years)	0.78		1.77	

For the year ended April 30, 2012, the Company recognized $100,335 in contributed surplus for warrants granted (year ended April 30, 2011 - $964,548). The fair value of each warrant grant is estimated on the date of the grant using the Black-Scholes option pricing model with the following assumptions:

Dividend yield	0% (2011 – 0%)
Risk-free interest rate	1.56% (2011 – 3.09%)
Expected average warrant term	2 years (2011 – 5 years)
Volatility (two year)	118% (2011 – 47%)

10. Related party transactions

During 2010, the Company entered into an asset management agreement with TitanStar Capital Corp. (the “Asset Manager”), pursuant to which the Asset Manager will provide asset management, administrative and other services to the Company and its subsidiaries. TitanStar Capital Corp. is a corporation owned by TitanStar Investment Group Inc., which is owned by T. Richard Turner, Chief Executive Officer of the Company. Denise Turner, Executive Vice President, Secretary and Chief Financial Officer of the Company is also a Director and Officer of TitanStar Capital Corp. and TitanStar Investment Group Inc. The Company has the right to terminate the asset management agreement at any time upon 60 days notice. The Asset Manager is entitled to a monthly advisory fee. On the date on which the Company attains an asset base with a gross book value of $200 million the Asset Manager is entitled to an annual advisory fee of 0.3% of the gross book value of the assets, payable monthly.

(expressed in Canadian dollars)

10. Related party transactions (continued)

Also in 2010, the Company granted to the Asset Manager options to purchase 100,000 common shares (Note 8). Each option will allow the Asset Manager to purchase one common share at a price of $0.35 per share from the date of issuance until the fifth anniversary of the issuance of such options.

For the year ended April 30, 2012, the Company accrued and paid $12,000, respectively, to the Asset Manager for management fees pursuant to the asset management agreement (2011 - $12,000). Key management personnel are provided by the Asset Manager.

11. General and administrative expenses

	Year ended April 30, 2012	Year ended April 30, 2011
Insurance	$ 16,550	$ 6,500
Interest expense	-	75,652
Loan cost amortization	-	78,048
Bank charges	333	146
Filing fees	25,970	7,895
Office costs	710	15,738
Management fees	12,000	12,000
Professional fees	86,279	92,965
Marketing and promotion	4,202	9,863
Travel	14,034	12,537
General and administrative expenses	$ 160,078	$ 311,344

12. Capital Management

The Company's objectives when managing capital, which is share capital, contributed surplus, Accumulated other comprehensive income (loss) and deficit, are to safeguard its ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, and to provide an adequate return to shareholders by pricing products and services commensurately with the level of risk.

The Company sets the amount of capital in proportion to risk. The Company manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new common shares, or sell assets to reduce debt.

(expressed in Canadian dollars)

12. Capital Management (continued)

The Company monitors capital from time-to-time using a variety of measures. Monitoring procedures are typically performed as a part of the overall management of the Company's operations. The Company's strategy during the period, which was unchanged from the prior period, was to maintain its ability to secure access to financing at a reasonable cost. The requirements and terms of sources of capital cannot be predicted and change in ways the Company cannot predict.

13. Changes in operating assets and liabilities

	Year ended April 30, 2012	Year ended April 30, 2011
Amounts receivable	$ 1,364	($ 22,911)
Prepaid expenses	(3,583)	(6,034)
Accounts payable and accrued liabilities	14,548	(43,784)
	$ 12,329	($ 72,729)

14. Risk management and fair values

The main risks that arise from the Company’s financial statements are liquidity risk, interest rate risk, credit risk and foreign exchange risk. The Company’s approach to managing these risks is summarized below.

Management’s risk management policies are typically performed as a part of the overall management of the Company’s operations. Management is aware of risks related to these objectives through direct personal involvement with employees and outside parties. In the normal course of its business, the Company is exposed to a number of risks that can affect its operating performance. Management’s close involvement in operations helps identify risks and variations from expectations. The Company has not designated transactions as hedging transactions to manage risk. As a part of the overall operation of the Company, management considers the avoidance of undue concentrations of risk.

These risks and the actions taken to manage them include the following:

Liquidity risk:

Liquidity risk is the risk that the Company cannot meet its financial obligations associated with financial liabilities in full. The Company’s source of liquidity is its equity. The risk with issuing new capital is that the capital markets may not be receptive to an equity issue with financial terms favourable to the Company. The funds are primarily used to finance working capital and are adequate to meet the Company’s financial obligations associated with financial liabilities.

14. Risk management and fair values (continued)

The Company's financial liabilities includes accounts payable and accrued liabilities due within a year. Pursuant to the Sahara Crossing, LP limited partnership agreement, as amended, the Company is required to provide additional contributions of US$874,275 to the partnership on or before August 1, 2012.

Interest rate risk:

Interest rate risk is the risk that changes in market interest rates may have an effect on the cash flows associated with some financial instruments, known as interest rate cash flow risk, or on the fair value of other financial instruments, known as interest rate price risk. The Company invests in short-term investments that may be cashed prior to maturity.

There is interest rate risk associated with the loan payable in the joint venture as the interest is impacted by changes in the prime rate. If interest rates would have been 1% higher (or lower) for the year ended April 30, 2012, the Company would have higher (or lower) share of income (loss) of joint ventures included in net income or loss of approximately $17,500 (for the year ended April 30, 2011 - $9,400).

The sensitivity analysis does not take into consideration that the Company's assets and liabilities are actively managed. Additionally, the financial position of the Company may vary at the time that any actual market movement occurs or be mitigated by management actions to reduce exposure to risks.

Other limitations in the sensitivity analysis include the use of hypothetical market movements to demonstrate potential risk that only represent the Company's view of possible near-term market changes that cannot be predicted with any certainty; and the assumption that all interest rates move in an identical fashion.

Credit risk:

Credit risk arises from the possibility that debtors may be unable to fulfill their commitments. For a financial asset, this is typically the gross carrying amount, net of any amounts offset and any impairment losses. The Company has credit policies to address credit risk on accounts receivable, which may include the analysis of the financial position of the debtor and review of credit limits. The Company also may review credit history before establishing credit and review credit performance. An allowance for doubtful accounts or other impairment provisions are established based upon factors surrounding credit risk, historical trends and other information.

14. Risk management and fair values (continued)

A financial asset is past due when a debtor has failed to make a payment when contractually due. The Company has no financial assets that are past due and does not have an allowance for doubtful accounts receivable.

Foreign exchange risk:

Foreign exchange risk is the risk that changes in foreign exchange rates may have an effect on future cash flows associated with financial instruments. The Company is exposed to foreign exchange risk as its joint ventures investments undertake their economic activities in U.S. currency. Changes in the applicable exchange rate may result in a decrease or increase in foreign exchange income or loss. The Company may enter into forward exchange contracts to manage part of the foreign exchange risk exposures denominated in U.S. currency, but has no forward contracts as at April 30, 2012. The Canadian dollar equivalent of monetary assets and liabilities held by the Company that are denominated in U.S. dollars are as follows:

	April 30, 2012	April 30, 2011
Cash	$ 204,190	$ 109,720
Advances to joint venture	2,189,439	1,590,194

If the Canadian dollar had strengthened (or weakened) 5 percent against the U.S. dollar with all other variables held constant, the Company would have additional income (or loss) from foreign exchange included in net income or loss for the year ended April 30, 2012 of approximately $10,200 (for the year ended April 30, 2011 - $5,500) and additional income (or loss) from currency translation adjustments of joint ventures included in other comprehensive income or loss for the year ended April 30, 2012 of approximately $415,300 (for the year ended April 30, 2011 - $363,000). The foreign currency exchange rate sensitivity in comprehensive income or loss in 2012 is attributable to a change in the translation of monetary assets and liabilities, and interests in joint ventures, denominated in U.S. dollars.

The sensitivity analyses do not take into consideration that the Company's assets and liabilities are actively managed. Additionally, the financial position of the Company may vary at the time that any actual market movement occurs or be mitigated by management actions to reduce exposure to risks.

Other limitations in the above sensitivity analyses include the use of hypothetical market movements to demonstrate potential risk that only represent the Company's view of possible near-term market changes that cannot be predicted with any certainty; and the assumption that all interest rates move in an identical fashion.

(expressed in Canadian dollars)

14. Risk management and fair values (continued)

Fair values:

The fair value of cash, amounts receivable and accounts payable and accrued liabilities approximates their recorded value. Fair value is an estimate of the amount at which items might be exchanged in an arm's length transaction between knowledgeable willing parties who are under no compulsion to act. Fair value should not be interpreted as an amount that could be realized in immediate settlement of the instruments. The estimate of fair value at year-end may not represent fair values at any other date. The determination of fair value is also affected by the use of judgment and by uncertainty.

15. Income taxes

A reconciliation between the statutory Canadian income tax rate and the actual effective rate is as follows:

	2012	2011
Net income (loss) before income taxes	$ 419,601	($ 548,865)
Basic statutory tax rate	26.00%	27.83%
Expected income taxes (recovery)	109,100	(152,800)
Adjustments resulting from:		
Items non-deductible for income tax purposes	900	18,600
Share of income or loss of joint ventures	(104,700)	(2,500)
Differences on financing costs	(63,300)	(66,100)
Net non-taxable foreign exchange gains or losses	81,600	(148,200)
Increase (decrease) in valuation allowance	(55,800)	247,900
Other	32,200	103,100
Provision for income taxes	$ -	$ -

The significant components of the Company's deferred income tax assets (liabilities) are as follows:

	2012	2011
Advances to joint ventures	$ 7,200	$ 15,000
Interests in joint ventures	(91,000)	43,300
Non-capital loss carry forward	364,400	216,300
Transaction costs	164,400	226,200
	445,000	500,800
Valuation allowance	(445,000)	(500,800)
Deferred income tax asset	$ -	$ -